

## **An amendment to HR 1579, the Ban Conflicted Trading Act:**

### **Sec.2.Definitions**

- Expands and clarifies what investments covered persons can trade
  - Clarifies definition of ‘widely held investment fund’
    - 2(C)i: a widely held investment fund, such as a mutual fund or exchange-traded fund, –
      - which the covered person does not exercise control over, directly or indirectly;
      - the financial interests of which, the covered person does not have the ability to exercise control over, directly or indirectly;
      - the manager(s) of which, with whom the covered person does not have a close personal relationship;
      - the assets of which are widely diversified, meaning not concentrated in any industry, business, single country other than the United States, or bonds of a single State.
  - Adds a line explicitly allowing investments in Federal, State, or local government employee retirement plans
  - Clarifies that covered investments cannot be bought or sold through an investment vehicle that the covered person controls, including
    - 529 education savings accounts
    - employee benefit plans
    - deferred compensation plans
    - retirement accounts
    - trusts
    - other such investment vehicles
- Clarifies definition of a Member
  - Uses existing Ethics in Government Act definition
- Adds spouse and dependents under 18

### **Sec.3.Prohibition**

- Clarifies that covered persons may not receive covered investments as a gift (this does not preclude inherited investments).

### **Sec.4.Exceptions (changed to Requirements, per Leg Counsel’s request)**

- Clarifies rules affecting investments already owned by covered persons
  - Clarifies that dividends from these investments cannot be reinvested
  - Clarifies that these investments cannot be bought or sold at the direction of anyone outside of a blind trust.
    - The existing language could be misconstrued to allow others to buy or sell these investments at the behest of the covered person
  - Adds new exceptions allowing inherited investments and investments received as primary compensation to be treated like investments the covered person already

owned. (i.e. they can be held, but not bought or sold except through a blind trust and divestiture)

- Adds an effective date of Jan 1, 2027 for spouses and dependents (the effective date for Members and staff is the date of enactment of the bill)

#### Sec.5.Blind Trusts

- Adds provision requiring Ethics to issue guidance on requirements for qualified blind trusts
- Stipulates additional requirements for qualified blind trusts—
  - The trustee must divest of all securities initially placed in the trust (and buy other securities instead) within 6 months of establishing the trust;
  - The trustee must certify annually that they have not provided knowledge of the trust's assets or the trust's transactions to the grantor; and
  - The trustee may not have a close personal or business relationship with the covered person.

#### Sec.6.Administration

- Adds provision prohibiting the Select Committee on Ethics from extending deadlines specified in the bill
- Clarifies penalties and adds additional penalties for different violations
  - In the case of a sold investment, at least 10% of the value of the investment at the time of sale.
  - In the case of a purchased investment, a minimum per day fine of \$500 is charged for each day the covered person is in violation, until they divest the purchased investment.
  - In the case of a net short position, a minimum per day fine of \$500 is charged for each day the covered person is in violation, until they divest sufficient investments to no longer be in a net short position in any security.
  - In the case of a covered person serving as an officer or member of a for-profit corporation, a minimum per day fine of \$500 is charged for each day the covered person is in violation, until they renounce such positions.